

FILED

JUL 15 2013

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF QEP ENERGY COMPANY FOR AN ORDER AUTHORIZING THE FLARING OF GAS IN EXCESS OF THE AMOUNTS ALLOWED UNDER UTAH ADMIN. CODE RULE R649-3-20(1.1) FROM A TOTAL OF SIX WELLS LOCATED WITHIN TOWNSHIP 10 SOUTH, RANGES 17 AND 18 EAST, DUCHESNE AND UINTAH COUNTIES, UTAH

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

Docket No. 2013-017

Cause No. 259-03

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, June 26, 2013, at approximately 2:00 p.m., in the auditorium of the Department of Natural Resources in Salt Lake City, Utah. The following Board members were present and participated at the hearing: Chairman James T. Jensen, Chris D. Hansen, Ruland J. Gill, Jr., Kelly L. Payne, Carl F. Kendel and Michael Brown. Board member Susan Davis was unable to attend and participate. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner QEP Energy Company ("QEP") were Raul Chavez, Senior Landman, and Kirk Fleetwood, Operations Manager – Uintah Basin Division. Raul Chavez testified as a fact witness and Kirk Fleetwood was recognized by the Board as an expert in petroleum engineering for purposes of this Cause. William E. Ward, Esq., of and for Beatty & Wozniak, P.C., appeared as attorney for QEP.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but nevertheless participated in the hearing. Kassidy J. Wallin, Assistant Attorney

General, appeared as attorney for, and, with the Board's permission, Dustin Doucet, Petroleum Engineer, asked questions on behalf of, the Division.

III Exploration II, LP submitted a letter of support in this matter.

At the conclusion of QEP's and the Division's presentation, Gerald E. Kenczka, AFM, Lands and Minerals, Bureau of Land Management – Vernal Office, commented on, but did not object to, QEP's Request.

No other party filed a response to the Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. QEP is a Texas corporation in good standing with its principal place of business in Denver, Colorado. It is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. This Cause involved QEP's Request to flare gas from six Wells located in Uintah and Duchesne Counties above the 1,800 mcf per month limit established by Utah Admin. Code Rule R649-3-20(1.1). Information regarding the six Wells at issue in this Cause is summarized as follows:

Well	/4/4	Sec.	Twp	Rge	County	First Production Date
WR 16G-32-10-17	SES E	32	10S	17E	Duchesne	12/10/2010
WRB 16-17-10-17	SES E	17	10S	17E	Duchesne	9/29/2012
RB DS 1G-7-10-18	NEN E	7	10S	18E	Uintah	7/27/2011
RB DS 14G-8-10-18	SES W	8	10S	18E	Uintah	7/13/2012
DS 14G-6-10-18	SES W	6	10S	18E	Uintah	3/30/2013
DS 14G-7-10-18	SES W	7	10S	18E	Uintah	4/24/2013

(“Subject Wells”)

3. All of the Subject Wells are located on Federal or State mineral leases. All of the Subject Wells are located within Federally approved Exploratory Units. Specifically, the WR 16G-32-10-17 Well is located within the Nautilus (Green River) Unit, the WRB 16G-17-10-17 Well is located within the Scylla (Green River) Unit and the remaining four Subject Wells are located within the Nemo (Green River) Unit. QEP is the designated operator for all of the Subject Wells.

4. All of the Subject Wells are at least five miles from any permanent residents.

5. Chemical analysis of the produced gases reflect that the Subject Wells are producing gas nearly identical in composition being comprised of primarily ethane and methane.

6. QEP has represented that it is in the process of negotiating a contract with a third party, Monarch Gas Pipeline LLC (“Monarch”), to construct the necessary pipeline to transport the associated gas produced from the Subject Wells. QEP estimates that the necessary pipeline

will be completed and in service on or around September 1, 2013 for the WR 16G-32-10-17 and WR 16G-17-10-17 Wells and on or around November 1, 2013 for the remainder of the Subject Wells. In order to avoid potential damage to the Wells that QEP believes may result if the Subject Wells must be partially shut-in each month, QEP must flare in excess of the amounts allowed under Utah Admin. Code Rule R649-3-20(1.1).

7. Based on testimony and evidence, construction of a pipeline to each of the Subject Wells is the only economic and practical option to deal with the produced gas.

8. Based on the current production rates and the other testimony and exhibits provided, the Board has determined that flaring at rates above the threshold is justified but that the aggregate volume of gas flared from the WR 16G-32-10-17 and WR 16G-17-10-17 Wells shall not exceed 12,000 mcf per month and the aggregate volume of gas flared from the remainder of the Subject Wells shall not exceed 15,000 mcf per month.

9. A copy of the Request was mailed, via US Mail, and properly addressed to all surface owners and all working interest owners in the Subject Wells to their last addresses disclosed by the appropriate Uintah and Duchesne County realty records.

10. Notice of the filing of the Request and of the hearing thereon was duly published in the Uintah Basin Standard on June 4, 2013, the Vernal Express on June 5, 2013, and the Salt Lake Tribune and the Deseret Morning News on June 2, 2013.

11. The vote of the Board members present and participating in the hearing on this Cause was unanimous (6-0) in favor of granting the Request, subject to the limits set forth in Findings of Fact No. 8 above.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §§40-6-5(3)(f) and Utah Admin. Code Rule R649-3-20(5).

3. QEP has satisfied the requirements set forth in Utah Admin. Code Rule R649-3-20(5) for granting its Request subject to the modification outlined in Findings of Fact No. 8 above.

4. The terms and conditions of flaring beyond the limits authorized under Utah Admin. Code Rule R649-3-20(1.1) for the Subject Wells, with the modification outlined in Findings of Fact No. 8 above, are fair, just and reasonable under the circumstances and will not result in waste.

5. QEP has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of the Request as ordered below.

ORDER

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this cause, as conformed to the testimony, other evidence provided at the hearing and as modified by the Board as outlined below, is granted.

2. QEP is hereby authorized to flare gas from the WR 16G-32-10-17 and WR 16G-17-10-17 Wells until September 1, 2013; provided, that the aggregate volume of gas so flared from these two Wells may not exceed 12,000 mcf per month for the authorized period.

3. QEP is hereby authorized to flare gas from the RB DS 1G-7-10-18, RB DS 14G-8-10-18, RB DS 14G-6-10-18 and RB DS 14G-7-10-18 Wells until November 1, 2013; provided that the aggregate volume of gas so flared from these four wells may not exceed 15,000 mcf per month for the authorized period.

4. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

5. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. §63G-4-208 and Utah Administrative Code Rule R641-109.

6. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the

Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. §63G-4-302, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. §63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board

hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

7. The Board retains continuing jurisdiction over all the parties and over the subject matter of this Cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

8. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 15th day of July, 2013, but effective as of June 26, 2013.

**STATE OF UTAH
BOARD OF OIL, GAS AND MINING**

By: James T. Jensen
James T. Jensen, Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2013-017, Cause No. 259-03 to be mailed via E-Mail, and First Class Mail, with postage prepaid, this 16th day of July, 2013, to the following:

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